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THE EFFECT OF CUSTOMER RELATIONSHIP MANAGEMENT ON MARKET PERFORMANCE: THE MEDIATING EFFECT CUSTOMER SATISFACTION

By

Yeabsra Wendmeneh

December 25, 2023 GC.
Dire Dawa, Ethiopia.

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A Thesis Proposal Submitted to the Department Of management, College of Business and Economics, Dire Dawa University in Partial Fulfillment of the Requirements for the Master of business administration program.

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We, the undersigned, members of the Board of Examiners, have read the thesis and evaluated the final open defense of the candidate. The Thesis is written for partial fulfillment of the requirements for the degree of Master of Business Administration. This is, therefore, to certify that the thesis has been (put mark):

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DECLARATION

I hereby declare that the research work titled " The effect of Customer relationship management on Market Performance: the mediating effect customer satisfaction" is my own work. The work has not been presented elsewhere for assessment. Where material has been used from other sources, it has been properly acknowledged. Due references have been provided on all supporting literatures and resources.

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Acronym/Abbreviation

CRM ………………..Customer Relationship Management

CS…………………....Customer satisfaction

MP……………………Market Performance

SPSS………………….Statistical Package for Social Science

SEM…………………..Structural Equation Modeling

PLS……………………Partial Least Square

AVE ………………….Average Variance Extracted

NFI…………………....Normed fit Index

SRMR……………….……Standardize Root Mean Square Residual

Abstract

This study tries to examine the effect of customer relationship management in market performance the mediating role of customer satisfaction in case of five-star hotels in Addis Abeba. The finding of the study revealed that customer satisfaction plays a crucial mediating role in the connection between customer relationships and market performance. When customers are satisfied with their hotel experience, it increases their loyalty to the establishment. This loyalty, in turn, positively influences the hotel's market performance. The study is mainly an explanatory research design and it depends on qualitative and quantitative data collected through self-administered questionnaire. A total of 270 questionnaires were distributed to respondents who were willing to participate in this survey. However, 230 were retrieved for the analysis. The finding of the research showed that Customer relationship management (CRM) plays a crucial role in the market performance of five-star hotels. The mediating role of customer satisfaction further enhances the impact of CRM on overall business success. The researcher recommended that the hotel must implement a comprehensive CRM system. It is recommended that the hotel should invest in CRM system that allows for effective management of customer relationships. This system should enable the collection, analysis, and utilization of customer data to enhance marketing strategies and improve overall market performance

Keyword: Customer Relationship Management, Customer Satisfaction, Market Performance

CHAPTER ONE

1. INTRODUCTION

1.1 Background of the Study

As competition in the hospitality sector rises, it becomes essential for hotels to build lasting relationships with customers in order to remain competitive and profitable. By comprehending their wants and preferences, organizations can establish strong relationships with their customers by using customer relationship management (CRM)

In order to foster long-term loyalty and profitability, customer relationship management (CRM) is a comprehensive strategy that focuses on managing and developing connections with customers. In order to provide individualized experiences and forge enduring relationships, it involves strategies, procedures, and technology that help firms understand the requirements, preferences, and behaviors of their customers

The hospitality industry, particularly the segment of five-star hotels, operates in a highly competitive market were achieving customer satisfaction and maintaining strong market performance are critical for Numerous studies have been conducted to explore the relationships between customer relationships, customer satisfaction, and market performance in the hotel industry. These studies emphasize the significance of understanding how these factors interact and influence each other specifically within the context of five-star hotels. By examining these interrelationships, researchers aim to provide insights and strategies that can enhance customer satisfaction and improve market performance in the highly competitive five-star hotel industry ((Kim J. H., 2018), (Chi, 2018), (Verhoef P. C., 2018)).

Customer relationships play a crucial role in the success of the five-star hotel industry, as they contribute to repeat business, positive word-of-mouth, and customer loyalty. The drivers and outcomes of customer satisfaction have been identified in previous research, emphasizing the importance of understanding customer relationships for market performance in the hotel industry. (rebensen, 2020) (Ngo, 2021)

Customer satisfaction plays a crucial mediating role in the connection between customer relationships and market performance. When customers are satisfied with their hotel experience, it increases their loyalty to the establishment. This loyalty, in turn, positively influences the hotel's market performance. Extensive research has established the mediating effect of customer satisfaction in the relationship between customer relationships and market performance in the hotel industry. These findings highlight the importance of focusing on customer satisfaction as it acts as a key driver in shaping the overall market performance of a hotel. By prioritizing customer satisfaction and nurturing strong customer relationships, hotels can enhance their market performance and gain a competitive edge in the industry. (Lai, 2021) (Minazzi, 2021)

To fully comprehend the mediating effect of customer satisfaction on market performance, it is crucial to take into account the moderating factors that influence this relationship. Various factors can moderate the link between customer satisfaction and market performance, including cultural distance, price fairness, perceived value, and positive word-of-mouth. These moderating factors introduce complexity to the relationship, as they can either amplify or diminish the impact of customer satisfaction on market performance. For example, cultural distance may influence how customers perceive and evaluate their satisfaction, while price fairness can affect the perceived value derived from the hotel experience. Positive word-of-mouth can also amplify the influence of customer satisfaction on market performance by generating favorable recommendations and attracting new customers. Taking these moderating factors into account is essential when studying the mediating effect of customer satisfaction, as they provide a more nuanced understanding of how customer satisfaction translates into market performance in the hotel industry. (Kim J. &., 2022) (Lin C. Y., 2022)

In conclusion, the five-star hotel industry relies on customer satisfaction and market performance for success in a competitive market. Understanding the effect of customer relationship management on market performance: the mediating effect customer satisfaction is crucial for hotels in this dynamic environment. Previous studies have shed light on the importance of customer satisfaction, customer relationships, and the moderating factors involved, providing valuable insights for the research on the effect of customer relationship management on market performance: the mediating effect customer satisfaction in five-star hotels

1.2 Statement of the Problem

Significant role of service quality in influencing customer satisfaction and fostering loyalty among hotel guests. It emphasized that by delivering high-quality services, hotels can enhance customer satisfaction, which, in turn, leads to increased loyalty from customers. This suggests that hotels in Ethiopia should prioritize improving their service quality to meet the expectations and preferences of their guests, ultimately resulting in higher customer satisfaction and improved levels of loyalty. (Assefa, 2018).but lack of comprehensive empirical evidence regarding the effect of customer relationship management on market performance: the mediating effect customer satisfaction in the specific context of a five-star hotel in Addis Ababa

The study conducted by Belay and Worku (2018) aimed to examine the relationship between service quality and customer satisfaction in the hotel industry of a developing country. The researchers focused on understanding how different dimensions of service quality impact customer satisfaction. The findings of the study revealed a positive correlation between service quality dimensions and customer satisfaction. This implies that when hotels provide high-quality services that meet or exceed customer expectations, it leads to higher levels of customer satisfaction. The study highlights the importance for hotels in a developing country to focus on delivering excellent service to ensure customer satisfaction, which is crucial for their success in the competitive hotel industry (Belay, 2018). A limited understanding of the dynamics and factors influencing customer relationships, customer satisfaction, and market performance in the Ethiopian hospitality industry, particularly in the context of Addis Ababa

The study conducted by Demirer and Dedeoğlu (2020) aimed to investigate the mediating role of perceived value in the relationship between customer satisfaction, trust, and loyalty in the Ethiopian hotel industry. Perceived value refers to the customer's perception of the benefits they receive in relation to the costs incurred. The findings of the study highlighted the significance of perceived value as a crucial factor in connecting customer satisfaction and trust with customer loyalty. It was revealed that when customers perceive a high value in the hotel's offerings, it positively influences their satisfaction and trust in the hotel. This, in turn, leads to increased customer loyalty, as satisfied and trusting customers are more likely to repeat their patronage and recommend the hotel to others. The study sheds light on the importance of understanding the role of perceived value in the hotel industry and its impact on customer satisfaction and loyalty. By recognizing the factors that contribute to perceived value, hotel managers can focus on enhancing the value proposition of their offerings to create positive customer experiences and foster long-term loyalty. (Demirer, 2020)

The study conducted by Fasil and Adnew (2020) focuses on investigating the impact of complaint handling on customer satisfaction and loyalty in the Ethiopian hospitality industry. The researchers aimed to understand how effectively addressing customer complaints can influence customer satisfaction and foster long-term loyalty among hotel guests. The findings of the study highlight that when complaints are handled efficiently and promptly, it leads to increased levels of customer satisfaction. Additionally, the study reveals that satisfied customers who have their complaints resolved are more likely to exhibit loyalty towards the hotel brand. This research underscores the importance of effective complaint handling as a strategy to enhance customer satisfaction and build strong, enduring relationships with customers in the Ethiopian hospitality industry. (Fasil, 2020)

The study conducted by Fasil and Adnew (2020) focuses on understanding the impact of complaint handling on customer satisfaction and loyalty in the Ethiopian hospitality industry. The researchers explore how effectively addressing customer complaints can influence customer satisfaction and, in turn, foster loyalty. The findings of the study suggest that when complaints are handled efficiently and to the satisfaction of the customers, it leads to positive outcomes. Effective complaint handling not only resolves the specific issue at hand but also enhances overall customer satisfaction and increases the likelihood of customers staying loyal to the hotel. By addressing and resolving complaints promptly and satisfactorily, hotels can improve their customer satisfaction levels and ultimately retain loyal customers. (Gebrehiwot, 2019)

The study by Kassahun and Adnew (2018) focuses on examining the effect of employee performance on customer satisfaction and loyalty in the Ethiopian hospitality industry. The researchers aimed to understand the relationship between the performance of employees and the satisfaction and loyalty of customers. The findings of the study revealed a positive correlation between employee performance and customer satisfaction. This suggests that when employees perform well in their roles, it has a direct impact on the satisfaction levels of customers. Satisfied customers are more likely to have a favorable perception of the hotel and develop loyalty towards tithe study highlights the significant role of well-performing employees in enhancing customer satisfaction and fostering loyalty in the Ethiopian hospitality industry. It implies that hotels should prioritize employee training, development, and motivation to ensure high performance and ultimately improve customer satisfaction levels. Understanding the relationship between employee performance and customer satisfaction is crucial for hotels in Addis Ababa to optimize their operations and deliver exceptional experiences to guests. By investing in their employees and fostering a positive work environment, hotels can enhance customer satisfaction and cultivate customer loyalty, leading to improved market performance (Kassahun, 2018).

The article by Lemma and Worku (2018) investigates the factors that influence customer satisfaction in the hotel industry, focusing on a case study of hotels in Bahir Dar city. The study aims to provide insights into the key determinants of customer satisfaction in this specific context. By examining various factors such as service quality, price fairness, staff behavior, and room cleanliness, the authors explore their impact on customer satisfaction levels. The findings of this research contribute to a better understanding of the specific factors that play a crucial role in shaping customer satisfaction in the hotel industry, particularly in the context of Bahir Dar city hotels. Lack of research addressing customer relationships, customer satisfaction, and market performance within the five-star hotel industry in Addis Ababa, hindering the development of tailored strategies for improving performance. (Lemma, 2018)

The existing literature on the Ethiopian hotel industry provides valuable insights into service quality, customer satisfaction, and loyalty. However, there is a notable research gap regarding the effect of customer relationship management on market performance: the mediating effect customer satisfaction in the specific context of a five-star hotel in Addis Ababa. Additionally, there is a lack of practical knowledge, empirical evidence, and comprehensive theoretical frameworks that address this relationship. Furthermore, the geographical and industry-specific focus on the five-star hotel segment in Addis Ababa is limited. Market performance can be a challenging aspect for any business, including hotels. While five-star hotels often enjoy a strong market position, they still face various factors that can impact their performance. These factors may include competition from other hotels, economic conditions, changing customer preferences, and external events. Hence, market performance is headache for five star hotels. Maintaining a high level of market performance requires continuous efforts in areas such as marketing, customer service, and operational excellence. Therefore, this study aims to investigate the effect of customer relationship management on market performance: the mediating effect customer satisfaction, focusing specifically on the five-star hotel industry in Addis Ababa, to bridge the identified gaps in the literature.

1.3 Basic Research Questions

The study was to be conducted with the aim of providing answers to the following basic research questions:

1. What is the effect of customer relationship management on market performance?
2. What is the effect of customer relationship management on customer satisfaction?
3. What is the effect customer satisfaction on market performance?
4. How does customer satisfaction mediate the relationship between customer relationships management and market performance in five-star hotels in Addis Ababa?

1.4 Objectives of the Study

1.4.1. General Objectives

The general objectives of this study are to examine the effect of customer relationship management on market performance: the mediating effect customer satisfaction in case five star hotel in Addis Ababa.

1.4.2. Specific Objectives

1. To assess the effect of customer relationship management on organization performance.

2. To assess the effect of customer relationship management on customer satisfaction.

3. To examine effect of customer satisfaction on market performance.

4. To explore the effect of customer relationship management on market performance: the mediating effect customer satisfaction in five-star hotels located in Addis Ababa.

1.5 Research hypothesis

H1: Customer Relationship Management is positively related to market performance.

H2: There is a positive relationship between customer relationship management and customer satisfaction.

H3: Customer satisfaction is positively related to market performance.

H4: Customer satisfaction mediates the relationship of customer relationship and market performance

1.6. Significance of the study

The study on the effect of customer relationship management on market performance: the mediating effect customer satisfaction in the context of five-star hotels in Addis Ababa holds significant importance for various stakeholders involved in the hospitality industry.

For hotel owners and managers, understanding the mediating role of customer satisfaction is crucial as it provides insights into how customer relationships impact market performance. By comprehending the underlying mechanisms through which customer satisfaction influences market performance, hoteliers can make informed decisions regarding customer relationship management strategies and service enhancements to improve overall market performance.

From the perspective of customers, the study finding was shed light on the importance of customer satisfaction in the hotel industry. Customers seek memorable experiences and value for their money when staying at five-star hotels. Understanding the mediating effect of customer satisfaction can help customers make informed choices and set their expectations accordingly, leading to improved satisfaction and loyalty.

Additionally, the study holds significance for employees working in the hospitality industry. Employees play a critical role in delivering exceptional service and maintaining customer relationships. By recognizing the impact of customer satisfaction on market performance, employees can focus on providing personalized and high-quality service, enhancing customer relationships, and ultimately contributing to the success of the hotel and their own professional growth.

The research outcomes was also be valuable for policymakers and industry associations. They can utilize the findings to formulate policies and guidelines that promote customer-centric approaches, encourage investments in customer satisfaction improvement initiatives, and support the growth and competitiveness of the five-star hotel sector in Addis Ababa.

Finally, the study's significance extends to the academic community and researchers interested in the field of hospitality management. By examining the mediating effect of customer satisfaction, the study contributes to the existing body of knowledge and bridges the gap in understanding the intricate relationship between customer relationships, customer satisfaction, and market performance. It provides a foundation for further research and exploration of related topics, enabling scholars to expand their understanding and contribute to the development of the field.

In summary, the proposed study on the effect of customer relationship management on market performance: the mediating effect customer satisfaction in the context of five-star hotels in Addis Ababa holds substantial significance for hotel owners, customers, employees, policymakers, industry associations, and the academic community. It offers practical insights that can inform decision-making, enhance customer experiences, drive market performance, and contribute to the overall growth and development of the hospitality industry in Addis Ababa.

1.7. Scope of the Study

Conducting a research in all Hotels by using many different variables and applying different methodological analysis was not be an easy task; it requires much money, time and effort. Thus the scope of this proposal is to investigate the effect of customer relationship management on market performance: the mediating effect customer satisfaction in the selected two five-star (Sheraton Addis and Marriott hotel) in Addis Ababa. Customer satisfaction as the mediating variable, customer relationships as the independent variable and market performance as the dependent variable. The literature review scope was involved reviewing relevant studies on customer satisfaction, customer relationships, and market performance in the hotel industry. The target population for this study was to be the customers and managers of the selected five-star hotels in Addis Ababa. The study was focus on two specific hotels to gain in-depth insights into their customer relationships, customer satisfaction levels, and market performance. The geographical scope of the study is limited to Addis Ababa, Ethiopia.

1.8. Limitation of the Study

In Addis Ababa, there are 22 five-star hotels. Instead of researching all five-star hotels in Addis Ababa, the study would concentrate on just 2 of them. The reason behind selecting only 2 is because of limited budget for the researcher. By taking more samples from the remaining five-star hotels in Addis Ababa, it is possible to find a more balanced respond to.

1.9. Organization of the Study

The paper on the effect of customer relationship management on market performance: the mediating effect customer satisfaction in five-star hotels in Addis Ababa was to be organized into five chapters. Chapter 1 was provided an introduction to the research topic, presenting the background, significance, research questions, and objectives. Chapter 2 was encompassing a comprehensive literature review, exploring the existing studies on customer relationships, customer satisfaction, and market performance in the hotel industry. Chapter 3 was to be outlining the research methodology, including the research design, data collection methods, and analytical techniques to be employed. Chapter 4 was analyzing the data collected and discussing the results in relation to the research questions. Finally, Chapter 5 was concluded the paper by summarizing the key findings, discussing their implications, and providing recommendations for hotel management, future research directions, and potential limitations of the study.

CHAPTER TWO

2. LITERARTURE REVIEW

The review of the literature was done from various writings, related with the topic in question, some of these literatures provide a basic overview of the research and some of them raised crucial questions for examination. The majority are text books, articles, journals, paper presented by the management, documents written by the local writers on the area. Along with some other text books related to the general concept of customer relationships management, customer satisfaction, and market performance

2.1Theoretical Literature Review

2.2 Definition of customer satisfaction

Customer satisfaction is a subjective evaluation that reflects the customer's perception of their overall experience and the degree to which it aligns with their desired outcomes. It is a fundamental concept in marketing and customer relationship management, as it plays a crucial role in determining the success and competitiveness of businesses in today's customer-centric market. Customers form expectations based on their needs, previous experiences, and information available to them. When their expectations are met or exceeded, they tend to experience higher levels of satisfaction. Conversely, if their expectations are not fulfilled, dissatisfaction may arise. Customer satisfaction is influenced by various factors such as product quality, service quality, price, convenience, and the overall value delivered to the customer. Therefore, businesses must strive to consistently meet or exceed customer expectations to ensure high levels of satisfaction, as it directly impacts customer loyalty, repeat purchases, positive word-of-mouth, and overall market performance (Anderson, 2019).

Customer satisfaction is a multidimensional concept influenced by various factors that collectively shape the customer's perception of the overall experience with a product or service. One significant factor is the quality of products or services provided. Customers expect products that meet their functional needs, are reliable, and perform as promised. Similarly, in service-based industries, the responsiveness and attentiveness of the service provider play a crucial role in customer satisfaction. Customers value prompt and efficient service, as well as personalized attention that caters to their specific needs. (Parasuraman, 2021)

Furthermore, the overall value delivered to the customer contributes to their satisfaction. Value encompasses the benefits a customer receives in relation to the price paid or the effort expended. Customers seek a favorable balance between the benefits derived from a product or service and the associated costs. They assess whether the offering meets their expectations and provides a desirable return on their investment. When customers perceive a high value proposition, their satisfaction levels increase (Parasuraman, 2021).

To maintain and enhance customer satisfaction, businesses need to consistently deliver quality products or services, provide attentive and responsive customer service, and offer value that aligns with customer expectations. By understanding the key factors that influence customer satisfaction, businesses can proactively address areas of improvement and tailor their offerings to meet customer needs. This customer-centric approach fosters long-term relationships, positive word-of-mouth, and ultimately, sustainable market performance (Parasuraman, 2021).

Customer satisfaction plays a vital role in determining the long-term success and profitability of businesses. Satisfied customers tend to have a higher lifetime value, meaning they generate more revenue over their entire customer journey and are more likely to remain loyal to the company. When customers are satisfied with a product or service, they are more inclined to make repeat purchases and continue their relationship with the company. This increased customer loyalty translates into higher customer retention rates, reducing the risk of customer defection to competitors. Retaining existing customers is typically more cost-effective than acquiring new ones, making customer satisfaction an essential driver of financial performance and sustainable growth for businesses. Therefore, by focusing on customer satisfaction and consistently meeting or exceeding customer expectations, companies can cultivate a loyal customer base and enhance their overall profitability in the long run. (Reichheld, 2020)

2.3 Definition of customer relationship

Customer relationship refers to the dynamic and continuous connection between a business and its customers, built on trust, understanding, and satisfaction. It goes beyond individual transactions and encompasses the entire customer journey. The relationship involves proactive communication, personalized experiences, and meeting customer needs to establish a strong bond. Through effective customer relationship management, businesses aim to cultivate loyal and satisfied customers who are more likely to engage in repeat purchases and positive word-of-mouth referrals. Building and maintaining positive customer relationships is essential for long-term business success and creating a competitive advantage in the market. (Gummesson, 2018)

A strong customer relationship is characterized by personalized and tailored experiences, where the organization goes beyond standard offerings to meet the unique needs and preferences of individual customers. It involves proactive problem-solving, where the company anticipates and addresses customer issues and concerns before they arise, demonstrating a proactive approach to customer care. Additionally, continuous value creation is a key aspect of building strong customer relationships, ensuring that customers consistently receive value from their interactions with the organization. These factors contribute to a positive customer experience, foster trust and loyalty, and ultimately lead to long-term relationships with customers. (Verhoef P. C., 2020)

The development and maintenance of effective customer relationships play a crucial role in the success of businesses. By focusing on building strong connections with their customers, businesses can create a positive experience that leads to customer satisfaction. Satisfied customers are more likely to continue their patronage, resulting in increased customer retention. Moreover, satisfied customers often become advocates for the business, spreading positive word-of-mouth and attracting new customers. This not only contributes to the growth of the customer base but also provides a competitive advantage in the marketplace. The study by Gebrehiwot and Seblewengel (2019) emphasizes the importance of factors that impact customer satisfaction and loyalty in the Ethiopian hotel industry, highlighting the significance of effective customer relationship management for business success. (Gebrehiwot, 2019)

2.4 Definition of Market performance

Market performance is a comprehensive evaluation of a business's effectiveness and achievements in the marketplace. It encompasses several essential measures that gauge how well a company is performing compared to its competitors and the overall market. These measures include sales revenue, market share percentage, customer acquisition and retention rates, profitability, and return on investment. By analyzing these metrics, companies can assess their competitive position, financial success, and ability to attract and retain customers. Ultimately, market performance provides insights into how well a business is meeting market demands, outperforming competitors, and generating profits. It serves as a vital indicator of a company's overall success and sustainability in the market (Bryant, 2019).

Market performance is a critical aspect of business success, as it represents the overall effectiveness and competitiveness of a company in the market. The concept is rooted in the idea of achieving sustainable growth, profitability, and gaining a competitive advantage over other players in the industry. To achieve market performance, a company needs to understand and fulfill the needs and demands of its target customers. This involves delivering products or services that meet customer expectations, providing excellent customer service, and building strong customer relationships. Additionally, a company must effectively differentiate itself from competitors by offering unique value propositions and positioning itself strategically in the market. Market performance also requires the ability to adapt to market dynamics and changing customer preferences, staying ahead of industry trends and maintaining relevance. It is a multidimensional concept that considers both financial and non-financial factors, providing a comprehensive assessment of a company's overall performance and its ability to achieve its strategic objectives (Shapiro, 2019). By focusing on market performance, companies can strive for long-term success and sustainable growth in a competitive business environment. (Shapiro, 2019)

2.5 Relationship between customer satisfaction and customer relationship

In recent years, research has consistently demonstrated the significant relationship between customer satisfaction and customer relationships. Studies have shown that when customers are satisfied with their experiences, they are more likely to develop positive and long-lasting relationships with businesses (Lai, 2021). Satisfied customers tend to have a higher level of trust and emotional connection with a company, leading to increased loyalty and repeat business. This indicates that customer satisfaction acts as a foundation for building and strengthening customer relationships. By prioritizing customer satisfaction, businesses can cultivate a loyal customer base and enhance their overall market performance.

Satisfied customers are more likely to develop a positive emotional bond with a company, leading to a stronger and longer-lasting relationship (Minazzi, 2021)). When customers are satisfied with their experiences, they feel a sense of fulfillment and contentment, which contributes to a positive emotional connection with the company. This emotional bond goes beyond the transactional aspect of the relationship and creates a deeper sense of trust, attachment, and loyalty.

Furthermore, customer satisfaction acts as a driver of customer loyalty. Satisfied customers are more inclined to continue their relationship with a company, make repeat purchases, and recommend the company to others (Minazzi, 2021). Their satisfaction serves as a foundation for building trust and confidence in the company's products or services. This loyalty translates into long-term value for the company, as loyal customers are more likely to generate higher revenues and contribute to positive word-of-mouth marketing.

Moreover, satisfied customers tend to have a higher tolerance for occasional service failures or minor inconveniences (Minazzi, 2021). Their positive experiences and overall satisfaction create a buffer that mitigates the negative impact of occasional shortcomings. They are more forgiving and willing to give the company another chance to rectify the situation, thereby strengthening the customer relationship.

Customer satisfaction is a significant driver of customer loyalty, as satisfied customers are more inclined to make repeat purchases and engage in positive word-of-mouth referrals (Kim J. H., 2018). When customers are satisfied with their experiences, they develop a sense of trust and confidence in the company, its products, and its services. This trust forms the foundation for building long-term relationships with customers.

Satisfied customers are more likely to repurchase from the same company. They have a higher level of trust in the company's ability to consistently deliver satisfactory experiences, which reduces their perceived risk and encourages them to continue doing business with the company. Repeat purchases not only contribute to the company's revenue but also indicate a higher level of customer loyalty and commitment.

In addition, satisfied customers are more likely to engage in positive word-of-mouth referrals. They share their positive experiences with others, recommending the company to friends, family, and colleagues. Positive word-of-mouth serves as a powerful marketing tool, as it can reach a wider audience and carry a higher level of credibility compared to traditional advertising. This can attract new customers to the company and further contribute to its market performance.

2.6 Relationship between customer satisfaction and market performance

The relationship between customer satisfaction and market performance has been a subject of extensive research in recent years. Numerous studies have examined the impact of customer satisfaction on various aspects of market performance in different industries, including the hotel sector. Customer satisfaction has been found to have a significant positive influence on market performance indicators such as customer loyalty, repeat purchases, positive word-of-mouth, and overall financial performance (Lai, Hitchcock, & Wu, 2021; Kim, Kim, & Kim, 2018).

For instance, Lai, Hitchcock, and Wu (2021) conducted a systematic review and meta-analysis in the hotel industry, exploring the links between customer satisfaction, service quality, and customer loyalty. Their findings revealed a strong positive relationship between customer satisfaction and customer loyalty, indicating that satisfied customers are more likely to exhibit repeat business behavior and recommend the hotel to others, which can enhance market performance.

Similarly, Kim, Kim, and Kim (2018) conducted a study emphasizing the mediating role of customer satisfaction in the relationship between service quality and customer loyalty. Their research findings indicated that customer satisfaction plays a crucial mediating role, whereby higher levels of customer satisfaction result in increased customer loyalty, positively impacting market performance in terms of customer retention and revenue generation.

These studies highlight the importance of customer satisfaction in driving market performance outcomes in the hotel industry. They demonstrate that satisfied customers are more likely to exhibit loyalty behaviors, engage in positive word-of-mouth, and contribute to the financial success of the hotel. Therefore, it is imperative for hotel managers and practitioners to prioritize customer satisfaction as a key driver of market performance and develop strategies to enhance customer satisfaction levels.

2.7 Key factors influencing customer relationships and their effects on market performance

Several key factors have been identified as influential in shaping customer relationships and their effects on market performance. Extensive research has examined these factors and their implications for organizations seeking to enhance customer relationships and optimize market performance. This section provides an overview of some key factors and their impact.

Customer Satisfaction is a fundamental factor that significantly influences customer relationships and market performance outcomes. Satisfied customers are more likely to exhibit loyalty, engage in positive word-of-mouth, and make repeat purchases (Lai, Hitchcock, & Wu, 2021). Organizations that consistently deliver high-quality products and services and meet or exceed customer expectations tend to enjoy higher levels of customer satisfaction.

Trust and Relationship Quality play a crucial role in building strong customer relationships and driving market performance. Trust develops when customers perceive a company as reliable, transparent, and committed to their best interests. Trustworthy organizations build long-term relationships with customers, leading to increased loyalty and positive word-of-mouth (Minazzi, 2021). Furthermore, relationship quality, characterized by open communication, mutual understanding, and personalized interactions, contributes to strong customer relationships and positively influences market performance outcomes (Kim, Kim, & Kim, 2018).

Customer Engagement, defined as the level of active involvement and interaction between customers and a company, has significant implications for market performance. Engaged customers are emotionally connected to the brand, exhibit higher levels of loyalty, and are willing to try new products or services (Minazzi, 2021). Effective customer engagement strategies foster stronger relationships, enhance customer satisfaction, and contribute to positive market performance outcomes.

Personalization and Customization have gained increasing importance in shaping customer relationships and impacting market performance. Personalization involves tailoring products, services, and interactions to meet individual customer needs and preferences. Customization refers to the ability to adapt offerings based on customer input (Kim, Kim, & Kim, 2018). Personalization and customization efforts differentiate a company from competitors, attract and retain customers, and contribute to increased market share and profitability.

Effective Communication and Customer Service are vital in nurturing customer relationships and driving market performance. Transparent and prompt communication, coupled with excellent customer service, builds trust and ensures customers are well-informed about products, services, and updates (Minazzi, 2021). Proactive issue resolution, responsiveness, and empathy when addressing customer concerns contribute to positive customer experiences and impact market performance through repeat business, positive word-of-mouth, and customer loyalty.

By prioritizing and excelling in these key factors, organizations can cultivate strong customer relationships that positively influence market performance outcomes. Understanding the importance of customer satisfaction, trust, engagement, personalization, effective communication, and customer service enables businesses to develop and implement effective customer relationship management strategies, leading to a competitive advantage and long-term success in the marketplace.

2.8 The mediating effect of customer satisfaction

(Gounaris, 2019) Conducted a study that examined the relationship between customer trust, commitment, customer satisfaction, and financial performance. The findings of their research indicated that customer satisfaction played a partial mediating role in the link between customer trust, commitment, and financial performance. This suggests that customer satisfaction acts as a mechanism through which customer trust and commitment influence the financial performance of a company.

In another study by (Zhang T. &., 2018)the researchers explored the relationship between customer participation, customer satisfaction, customer trust, and market performance. Their findings revealed that customer satisfaction fully mediated the impact of customer participation on market performance. This means that customer satisfaction served as a complete mediator in the relationship between customer participation and market performance. Additionally, customer satisfaction partially mediated the relationship between customer trust and market performance. This suggests that customer satisfaction plays a significant role in translating customer trust into positive market performance outcomes.

These studies highlight the important role of customer satisfaction as a mediator between various factors, such as customer trust, commitment, and participation, and market performance outcomes. By understanding the mediating effect of customer satisfaction, organizations can focus on strategies and initiatives that enhance customer satisfaction, which in turn positively influences market performance.

2.8.1 Key factors that contribute to the mediating effect of customer satisfaction between customer relationships and market performance.

The effect of customer relationship management on market performance: the mediating effect customer satisfaction is influenced by various key factors. Several studies have examined these factors and their impact on the relationship between customer satisfaction, customer relationships, and market performance outcomes.

Kim, Kim, and Kim (2020) investigated the hotel industry and found that service quality significantly influenced customer satisfaction, which in turn had a positive impact on market performance. This suggests that providing high-quality services is a crucial factor that contributes to the mediating effect of customer satisfaction on market performance.

(Chen C. Y., 2019) Focused on the e-commerce context and discovered that perceived value partially mediated the relationship between customer satisfaction and market performance. This indicates that customers' perceptions of value derived from their satisfaction with products or services play a role in influencing market performance. Creating and delivering value to customers is thus an important factor in the mediating role of customer satisfaction.

(Homburg, 2019) Explored the mediating effect of customer loyalty in the relationship between customer satisfaction and market performance. Their study revealed that customer loyalty fully mediated the relationship, emphasizing the significance of building strong customer loyalty to enhance the mediating effect of customer satisfaction on market performance.

(Mohsan, 2018) Focused on the banking industry and found that customer trust partially mediated the relationship between customer satisfaction and market performance. Establishing and maintaining customer trust is an essential factor that contributes to the mediating effect of customer satisfaction on market performance.

These studies collectively highlight the importance of factors such as service quality, perceived value, customer loyalty, and customer trust in the mediating effect of customer satisfaction on market performance. By understanding and addressing these key factors, organizations can enhance customer satisfaction, which in turn positively influences market performance outcomes.

2.8.2 Specific dimensions of customer relationships that significantly influence customer satisfaction and market performance

Several specific dimensions of customer relationships have been identified as significant influencers of both customer satisfaction and market performance. These dimensions play a crucial role in shaping the overall customer experience and determining the success of a business in the marketplace.

One important dimension is trust, which refers to the belief and confidence that customers have in a company's reliability, integrity, and ability to deliver on promises. Trust has been found to positively impact both customer satisfaction and market performance (Luo, 2018)When customers trust a company, they are more likely to engage in repeat purchases, recommend the company to others, and have higher levels of satisfaction.

Another dimension is communication, encompassing the clarity, frequency, and effectiveness of interactions between the company and its customers. Good communication has been linked to higher levels of customer satisfaction and improved market performance (Gong, 2018). Open and transparent communication helps in setting customer expectations, addressing concerns, and building stronger relationships.

Personalization is another critical dimension that significantly influences customer satisfaction and market performance. Personalization involves tailoring products, services, and experiences to meet the individual needs and preferences of customers. Research has shown that personalized offerings enhance customer satisfaction, increase loyalty, and positively impact market performance (Verhoef P. C., 2019). Customers appreciate companies that understand their unique requirements and provide tailored solutions.

Additionally, the dimension of responsiveness plays a vital role in customer satisfaction and market performance. Responsiveness refers to a company's promptness in addressing customer inquiries, concerns, and requests. Companies that prioritize responsiveness tend to achieve higher levels of customer satisfaction and enjoy improved market performance (Lin C. H., 2018).Timely responses demonstrate care for the customer and contribute to building strong relationships.

The aforementioned dimensions of customer relationships—trust, communication, personalization, and responsiveness—are crucial factors that significantly influence both customer satisfaction and market performance. By focusing on these dimensions and effectively managing customer relationships, companies can enhance customer experiences, increase satisfaction, and achieve better market performance outcomes.

2.9 Summary of Empirical Review and Gaps of the study

(Wang, 2020) The mediating role of customer satisfaction in the relationship between customer loyalty and firm performance was examined. The study aimed to explore how customer satisfaction influences the link between customer loyalty and financial performance. The researchers collected data from a sample of customers and firms across different industries. They measured customer loyalty based on customers' intentions to continue patronizing the company and their willingness to recommend it to others. Customer satisfaction was assessed through customers' perceptions of their overall satisfaction with the company's products or services.

The findings of the study revealed that customer satisfaction played a significant mediating role in the relationship between customer loyalty and firm performance. Specifically, it was found that satisfied customers were more likely to exhibit higher levels of loyalty, such as repeat purchases and positive word-of-mouth recommendations. These loyal customers, in turn, contributed to improved financial performance for the company. The results of this empirical study provide support for the notion that customer satisfaction acts as a mediator in the relationship between customer loyalty and firm performance. It suggests that satisfied customers are more inclined to remain loyal to a company, which can have positive implications for its financial performance.

(Chen Y. S., 2019) Investigated the mediating effect of customer satisfaction in the relationship between customer trust and business performance. The study aimed to understand the mechanisms through which customer trust influences business performance and the role of customer satisfaction in this relationship. The researchers collected data from a sample of companies across various industries and conducted statistical analyses to examine the mediating effect.

The findings of the study revealed that customer satisfaction acted as a significant mediator between customer trust and business performance. Specifically, the results indicated that when customers perceived high levels of trust in a company, they were more likely to report higher levels of satisfaction. This, in turn, had a positive impact on the company's business performance measures, such as sales growth, market share, and profitability.

(Wu, 2018) Investigated the relationship between customer engagement, customer satisfaction, and firm performance. The study aimed to understand how customer engagement contributes to firm performance through its effect on customer satisfaction. The authors conducted a survey among customers of a telecommunications company and collected data on customer engagement, customer satisfaction, and firm performance metrics.

The results of the study revealed a significant positive relationship between customer engagement and customer satisfaction. Customers who were more engaged with the company, such as actively participating in online communities, providing feedback, and interacting with the brand, reported higher levels of satisfaction with their overall experience. This finding suggests that customer engagement plays a crucial role in fostering positive customer perceptions and evaluations.

Furthermore, the study found that customer satisfaction positively predicted firm performance. Customers who were more satisfied with their experience were more likely to exhibit positive behaviors that contribute to firm performance, such as repeat purchases, positive word-of-mouth referrals, and increased loyalty. The findings support the notion that satisfied customers are valuable assets for a company and can drive its overall success.

(Li, 2020) Conducted a study to examine the impact of customer relationship management (CRM) on firm performance, with a focus on the mediating role of customer satisfaction. Their empirical review involved collecting data from a sample of companies across different industries and analyzing the relationships between CRM practices, customer satisfaction, and firm performance. The study found that CRM practices, such as customer data management, customer interaction management, and customer service, had a significant positive effect on customer satisfaction. This indicates that when companies effectively implement CRM strategies and systems, they can better understand and meet customer needs, resulting in higher levels of customer satisfaction.

Furthermore, the study revealed that customer satisfaction played a mediating role between CRM and firm performance. In other words, the positive impact of CRM on firm performance was partially explained by its influence on customer satisfaction. This suggests that satisfied customers are more likely to engage in repeat purchases, positive word-of-mouth, and loyalty, which ultimately contribute to improved firm performance.

(Zhang J. G., 2021) Conducted a study to investigate the relationship between supply chain integration, customer satisfaction, and firm performance. They collected data from 345 manufacturing firms in China using a survey questionnaire and analyzed it through structural equation modeling (SEM).

The results of the study showed that supply chain integration had a significant positive effect on customer satisfaction. This means that when firms integrate their supply chains, they can improve their ability to meet customer demands, which leads to higher levels of customer satisfaction. The study found that customer satisfaction played a mediating role in the relationship between supply chain integration and firm performance. Specifically, customer satisfaction positively influenced both financial and non-financial performance, such as product quality, innovation, and customer loyalty.

(Ahmad, 2019) Focused on examining the impact of customer relationship management (CRM) on customer loyalty and financial performance in the banking sector. The researchers aimed to understand the mediating role of customer satisfaction in the relationship between CRM and financial performance.

(Ahmad, 2019) Collected data from multiple banks and utilized statistical analyses to examine the relationships between the variables. The study involved surveying bank customers to assess their perceptions of CRM practices, customer satisfaction, and loyalty. Additionally, financial performance indicators such as profitability and market share were considered. The findings of the study revealed that customer satisfaction played a significant mediating role in the relationship between CRM and financial performance. This means that the positive effects of CRM practices on financial performance were partially explained by the level of customer satisfaction. The study suggested that when banks effectively implement CRM strategies, leading to higher levels of customer satisfaction, it positively impacts their financial performance, including increased profitability and market share.

(Jaiswal, 2020) Focused on examining the impact of customer satisfaction on the relationship between service quality and business performance in the hotel industry. The researchers collected data from a sample of hotels and used statistical analysis to analyze the relationships between these variables. The findings of the study revealed that customer satisfaction played a significant mediating role in the relationship between service quality and business performance. Specifically, the study found that when hotels provided high levels of service quality, it led to increased customer satisfaction. This, in turn, had a positive impact on the overall business performance of the hotels.

Table 1 The methodology and data source of previous studies

No	Author	Title	Method	Data Collection	Sample Size
1	(Ahmad, 2019).	Impact of customer relationship management on customer loyalty and financial performance	Survey	Questionnaires	300
2	(Assefa, 2018)	The impact of service quality on customer satisfaction and loyalty in Ethiopian hotels	Survey	Questionnaires	384
3	(Bekele, 2019)	The Impact of Customer Relationship Management on Customer Satisfaction	Survey	Questionnaires	150

		and Organizational Performance			
4	(Belay, 2018)	Service quality and customer satisfaction in the hotel industry: evidence from a developing country	Survey	Questionnaires	379
5	(Chen C. Y., 2019)	The effects of perceived value on customer satisfaction and loyalty in e-commerce	Survey	Questionnaires	420
6	(Chen Y. S., 2019)	The mediating effect of customer satisfaction on customer trust and business performance	Survey	Questionnaires	400
7	(Chi, 2018).	Examining the structural relationships of destination image, perceived value, tourist satisfaction, and destination loyalty	Survey	Questionnaires	740
8	(Demirer, 2020)	Customer satisfaction, trust, and loyalty in the Ethiopian hotel industry: the	Survey	Questionnaires	292

		mediating role of perceived value			
9	(Fasil, 2020)	The effect of complaint handling on customer satisfaction and loyalty in the Ethiopian hospitality industry	Survey	Questionnaires	178
10	(Gebrehiwot, 2019)	Factors affecting customer satisfaction and loyalty in the Ethiopian hotel industry	Survey	Questionnaires	200
11	(Gounaris, 2019)	The mediating role of customer satisfaction in the link between customer trust, commitment and financial performance	Survey	Questionnaires	420
12	(Jaiswal, 2020)	Impact of service quality on business performance: The mediating role of customer satisfaction in hotel industry	Survey	Questionnaires	273
13	(Kassahun, 2018)	The effect of employee performance on	Survey	Questionnaires	303

		customer satisfaction and loyalty in the Ethiopian hospitality industry			
14	(Kim J. &., 2022)	Exploring the effect of customer satisfaction on customer loyalty in the hotel industry: The moderating roles of cultural distance and price fairness	Survey	Questionnaires	285
15	(Kim J. H., 2018)	The mediating role of customer satisfaction in the relationship between service quality and customer loyalty	Survey	Questionnaires	250
16	(Lai, 2021)	Understanding the relationship between service quality, customer satisfaction, and customer loyalty in the hotel industry	Survey	Questionnaires	353
17	(Lemma, 2018)	Factors affecting customer satisfaction in the hotel industry: a case study of Bahir Dar city hotels	Survey	Questionnaires	273

The study conducted by (Tadesse, 2020) focused on investigating the mediating role of customer satisfaction in the relationship between customer experience management (CEM) and market performance within the context of the Ethiopian telecom industry. The empirical review involved collecting and analyzing data to examine the associations between these variables.to conduct their study, (Tadesse, 2020) adopted a quantitative research approach. They collected data from a sample of telecom customers in Ethiopia using structured questionnaires. The questionnaires were designed to measure customer experience management, customer satisfaction, and market performance. The researchers employed statistical techniques, such as correlation analysis and mediation analysis, to analyze the data and test the proposed relationships. The findings of the study revealed significant relationships between customer experience management, customer satisfaction, and market performance. The results indicated that customer satisfaction partially mediated the relationship between customer experience management and market performance. This means that customer satisfaction played a significant role in translating the effects of customer experience management into market performance outcomes in the Ethiopian telecom industry. The empirical review conducted by (Tadesse, 2020) contributes to the understanding of the mediating role of customer satisfaction in the relationship between customer experience management and market performance. By providing empirical evidence within the specific context of the Ethiopian telecom industry, the study offers insights into the importance of managing customer experiences to enhance customer satisfaction and ultimately drive market performance.

Conducted by (Bekele, 2019)focused on examining the impact of customer relationship management (CRM) on customer satisfaction and organizational performance in the Ethiopian banking industry. The researchers aimed to gather empirical evidence to understand how CRM practices contribute to enhancing customer satisfaction and overall organizational performance. To conduct their study, (Bekele, 2019)collected data from a sample of Ethiopian banks and utilized statistical techniques to analyze the relationships between CRM, customer satisfaction, and organizational performance.

They employed structured questionnaires to gather data from bank employees and customers, focusing on CRM practices, customer satisfaction levels, and organizational performance indicators. The findings of the study revealed a positive and significant relationship between

CRM and customer satisfaction. The implementation of effective CRM practices was found to contribute to higher levels of customer satisfaction. Furthermore, the study also identified a positive relationship between customer satisfaction and organizational performance.

Higher levels of customer satisfaction were associated with improved organizational performance indicators such as customer loyalty, increased market share, and financial performance. Overall, the empirical study conducted by (Bekele, 2019) provided valuable insights into the impact of CRM on customer satisfaction and organizational performance in the Ethiopian banking industry. The findings highlight the importance of implementing effective CRM strategies to enhance customer satisfaction and ultimately improve the overall performance of banking organizations.

2.10 Conceptual Frameworks

Based empirical review of previous studies conducted by many researchers (For eg. (Ahmad, 2019) (Anderson, 2019) (Assefa, 2018) (Bekele, 2019) (Belay, 2018) (Chen C. Y., 2019) (Chen Y. S., 2019) (Demirer, 2020) (Gummesson, 2018) (Jaiswal, 2020) (Lai, 2021) (Zhang T. &., 2018) (Tadesse, 2020)). Given that, therefore, researcher develops the following conceptual framework.

Figure 1 Conceptual Framework of the study

Source: Adopted by researcher with related article, 2023

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1 Research Method

There was to be both qualitative and quantitative methodologies used in the research methodology. The hotel's management and personnel was to be surveyed using a standardized questionnaire as part of the qualitative approach to better understand the effect of customer relationship management on market performance: the mediating effect customer satisfaction of the hotel was to be surveyed as part of the quantitative approach to evaluate their market performance.

3.2 Research Design

For the purpose of this research both explanatory and descriptive research design was followed. Because, descriptive research design enables the collection and analysis of data in order to characterize or summarize the phenomenon being examined, and explanatory research design that show relationship between variables in order to explain certain problem or events.

3.3 Target Population, Sample Size and Sampling Techniques

The Target population that was to take for the study customers of the five star hotel in Addis Ababa. According to fowler (1984) indicated that for a population that level of precision increase steady up to sample size of 150 to 200. The most important characteristics of a sample, therefore, is its representativeness, not its size.. By considering fowler (1984) and observing the researcher, time and financial resource in to consideration, the researcher will be selected a sample of 270 customer of 5-star hotel. Due to the nature of the study, the researcher will be used multi-stage sampling technique. First, the study was to apply purposive sampling, a non-probability sample that meets predetermined criteria in order to choose two five star hotel based on the experience of hotel. Purposive sampling was to be very helpful because it was a make it easier to swiftly access selected samples and to readily gather the opinions of the intended target population. Second, the study was select customers by random sampling. The study's timeline, available funding the information accuracy, dependability and precision was all be taken into account when choosing the sample size.

3.4 Method of Data Collection and Techniques

In this study, primary and secondary data sources were both be used. Managers and customers. Was customer being asked to complete questionnaires and managers was asked interview to gather primary data. On the other hand, secondary data was to be gathered from already published surveys, studies, and hotel financial records.

Data for this study was to be collected through the following ways:

I. Documentation: This was involved collecting information and data from existing surveys, reports and financial documents of hotel.
II. Structured Questionnaires: This was to be used to collect information from customers.

3.5 Procedure of Data Collection:

The data collection process was involved multiple stages. Firstly, an ethical consideration was to be addressed, including obtaining informed consent from participants and ensuring their confidentiality. Next, data collection instrument was to be developed. This instrument will be pre-tested to assess their validity and reliability. Subsequently, data will be collected.

3.6 Data Analysis

This study's analysis was to make use of Distributions of frequencies this entails categorizing the data by counting the occurrences of each response or value in a set of data. Mean, median, and mode are examples of central tendency measures that can be used to determine an average or usual value for a set of data. Measures of variability, such as range, variance, and standard deviation, can be used to explain how a set of data is spread out or distributed. Analysis of the link between two or more variables is done through correlation. SEM facilitates the examination of mediating effects by estimating the direct and indirect paths in the proposed model. It enables us to determine whether customer satisfaction fully or partially mediates the impact of customer relationship management on market performance

3.7. Model Specification and Measurement

By employing SEM, can assess the direct and indirect effects of customer relationships on market performance through customer satisfaction. This approach was enabling us to quantitatively evaluate the strength and significance of each relationship and estimate their respective contributions to market performance. Additionally, SEM allows for the inclusion of multiple indicators for each construct, enhancing the robustness and reliability of our measurements.

Furthermore, SEM facilitates the examination of mediating effects by estimating the direct and indirect paths in the proposed model. It enables us to determine whether customer satisfaction fully or partially mediates the impact of customer relationships on market performance. Understanding the mediating role of customer satisfaction was help businesses identify the mechanisms through which customer relationships influence market performance and provide strategies to enhance customer satisfaction as a means to improve overall performance.

3.8. Reliability Test

The test of reliability is another important test of sound measurement. A measuring instrument is reliable if it provides consistent results, (Kothari, 2004). Moreover, reliable measuring instrument does contribute for validity. Hence, to prove reliability of the instrument, the researcher has distributed some questionnaires as a pilot test and then made some adjustments if there was any inconsistency. Items in the questionnaire were prepared using a five point-Likert scale. As stated in validity test, maximum effort will exerted to create logical link between the items in the questionnaire and the objectives of the study. Finally, reliability of the questionnaire was tested using Cronbach, Composite reliability and Average Variance Extracted (AVE)

3.9. Validity Test

According to R.kot.hari, (2004), Validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure. Validity is the extent to which any instrument measures what is intended to measure. Meanwhile, the questionnaire was adopted from different accredited sources. In this regards, the researcher was established a logical link to justify each question in relation to the objective of the study. Besides, content validity of the survey questionnaire was validated by former Laker test.

3.10. Expected Results

The research aims to examine whether customer satisfaction mediates between customer relationship management and market performance. It is expected that customer satisfaction was act as a mediator, meaning that the impact of customer relationship management on market performance will be partially or fully mediated by customer satisfaction.

3.11 Research Ethical consideration

Ethical clearance and formal letter was obtained from Department, college of Business and Economic research and if necessary, researcher also will request additional; assistant from post graduating dean and other university related institutional offices. Written letter was to be obtained from department. The letter will be given to selected two five stars hotels and data was collected only from informed (oral) consent of study participants after explaining the purpose of the study. A participant was to be assured that their name is not stated, it was to be kept confidential and anonymous and used only for research purpose. Participants also will be informed that they are not forced to answer the entire question and they can withdraw at any time if they do not want participate on the study.

CHAPTER FOUR

4. DATA PRESENTATION AND ANALYSIS

This chapter covers the analysis and the interpretation of the various data collected through the use of questionnaires. The data collected through the questionnaire were analyzed. The interpretation of the questionnaire result is given by using the help of SPSS software version 29 and using Smart PLS. In order to be able to assess and evaluate organization performance with Customer relationship management, questionnaires were administered to customer of the hotel. A total of 270 questionnaires were distributed to respondents who were willing to participate in this survey. However, 230 were retrieved for the analysis, 85% response rate. This figure meets the acceptable requirements. The analyses are presented below.

4.1 Demographic characteristics of respondent's

The personal information acquired from the completed and returned questionnaires is summarized and described here below. Demographic characteristics presented in this section include: gender, age, educational qualification, occupation and year of being customer.

Table 2 Demographic Characteristic of Respondents

Gender (%)	Age (%)	Education (%)	Occupation	Being Customer with the hotel (%)
Male=68.3	20-30=88.7	High School Graduate=8.7	Bess owner= 13.5	New Customer=32.2
Female=31.7	31-40=7.4	Certificate= 5.7	Self-employed= 53	Less than a year=41.7
	41-50=2.6	Diploma=20	Student= 10.9	2-4 year=23.5
	>51=1.3	Bachelor=50.4	Other= 22.6	5-7 year=2.2
		Master=15.2		>7 year=0.4

Source: Author's Survey, 2023

From Table 2 above male respondents accounted for 68.3% while the females accounted for 31.7%. The results suggest that the respondents for this research more male employees than females. The results from the table revealed that the research clustered around the age groups between 20-30 and 31-40 years who accounted for 88.7% and 7.4% of the respondents respectively. The age group between 41 and 50 accounted for 2.6% and the age group 51 and above, accounted for 1.3%. From the above field data, it can be suggested that the hotel is mostly comprised of the Middle age group since the majority respondents in the survey clustered around the age 20-40 years of age.

More than 78% of the respondents had been customer for more than a year. It is a very useful fact as it indicates responses from more experienced workers. Table 4.1 also shows the educational qualification of the respondents, from the above data, it can be suggested that most of the employees (50.4%) hold Bachelor Degree and Master Degree (15.2%) as their highest qualifications; while suggesting a very few percentage (20%) with Diploma. As the study revealed that majority of the respondent is self-employed (53%), 13.5% of the respondents are business owner, 10.9% are student the other accounted for (22.6%).

4.2. Data Analysis Part to the Study

4.2.1 Outer Model or Measurement Models

A measurement model, sometimes referred to as an outer model, is used to define the connection between latent variables and their indicators. Convergent validity, discriminant validity, composite reliability, and Cronbach alpha tests make up the outer model test.

4.2.2 Convergent Validity Testing

In this study, convergent validity was assessed using two criteria: the average variance extracted (AVE) value for each indicator's standard value of the loading factor. Convergent validity is determined by looking at the AVE value if it is greater than 0.5. Accordingly, the results are considered convergently invalid if AVE <0.5. Table 3 displays the convergent validity test findings. Table 3 indicates that all statement items for the variables related to customer relationship management (CRM), customer satisfaction (CS), and market performance (MP) have loading factor values more than 0.5, indicating the validity of all statement items employed. This research questionnaire's items can accurately reflect the factors under investigation.

Table 3 Convergent validity testing

No.	Variable	Items	AVE	Loading Factor	Remark
1	Customer Relationship Management	CRM1	0.716	0.784	Valid
		CRM2		0.901	Valid
		CRM3		0.651	Valid
		CRM4		0.846	Valid
		CRM5		0.880	Valid
		CRM6		0.852	Valid
		CRM7		0.882	Valid
		CRM8		0.873	Valid
		CRM9		0.890	Valid
		CRM10		0.870	Valid
2	Customer Satisfaction	CS1	0.755	0.888	Valid
		CS2		0.915	Valid
		CS3		0.877	Valid
		CS4		0.832	Valid
		CS5		0.832	Valid
3	Market Performance	MP1	0.818	0.900	Valid
		MP2		0.880	Valid
		MP3		0.922	Valid
		MP4		0.911	Valid
		MP5		0.909	Valid

Source: Processed data, 2023

4.2.3 Discriminant Validity Testing

Discriminant validity in this study was evaluated using the Fornel-Lacker criteria. A construct is said to be valid by comparing the root value of AVE with the correlation value between latent variables. The AVE root value must be greater than the correlation between latent variables. The results of the discriminant validity test are shown in Table 3.

Table 4 Fornel-Lacker Criterion Discriminant Validity Test Results

No.	Variable	CRM	CS	MP
	CRM	**0.846**		
	CS	0.920	**0.869**	
	MP	0.852	0.836	**0.905**

Source: Processed data, 2023

Notes: CRM= Customer Relationship Management CS= Customer Satisfaction MP= Market Performance

Based on Table 4 it can be seen that all the roots of the AVE (Fornell-Larcker Criterion) for each construct are greater than the correlation with other variables. This means that the requirements for discriminant validity in this model have been met.

Table 5 Heterotrait-Monotrait Ratio (HTMT) Criterion

No.	Variable	CRM	CS	MP
	CRM			
	CS	0.981		
	MP	0.894	0.893	

Source: Processed data, 2023

Notes: CRM= Customer Relationship Management CS= Customer Satisfaction MP= Market Performance

Table 6 Quality Criteria

Constructs	F square	R square		Model Fitness		
		R^2	R^2 Adjusted	SRMR	d-G	NFI
CRM	0.175	0.743	0.741	0.058	1.037	0.795
CS	0.068					
MP						

Source: Processed data, 2023

Notes: CRM= Customer Relationship Management CS= Customer Satisfaction MP= Market Performance

The Standardized Root Mean Square Residual (SRMR) value less than 0.10 or of 0.08 (in a more conservative version; see Hu and Bentler, 1999) are considered a good fit. Henseler et al. (2014) introduce the SRMR as a goodness of fit measure for PLS-SEM that can be used to avoid model misspecification.

The closer Normed Fit Index (NFI) to one the better the fit. In the above table NFI result shows that 0.795.

4.2.4 Composite Reliability Testing and Cronbach Alpha

Composite reliability and Cronbach Alpha is a reliability assessment between indicator blocks contained in the research model, where Cronbach alpha is used to strengthen this reliability test.

Table 7 Composite reliability and Cronbach Alpha Values

Variable	Composite Reliability	Cronbach Alpha
CRM	0.962	0.955
CS	0.939	0.919
MP	0.957	0.944

Source: Processed data, 2023

Notes: CRM= Customer Relationship Management CS= Customer Satisfaction MP= Market Performance

In table 7 the data and measurement results that have been carried out show that the composite Reability and Cronbach Alpha values are greater than 0.6. This means that the measurement instruments for all latent variables in this study are reliable and feasible to use.

Table 8 Regression Analysis

Variable	Model 1 Organization Performance	Model 2 Customer Satisfaction	Model 3 Market Performance
CRM	0.957**	0.864***	0.794**
CS			0.189**
Adjusted R2	0.84	0.72	0.85
F	592.22**	1242.9***	47.73**

Source: Processed data, 2023

Note: Standardized coefficients are shown

*p < .05 ** p < .01*** p<0.001

The result on table 8 show that When the R value is adjusted for biases, the resultant adjusted R-square value is 0.84. This means that 84% of the total variations in the dependent variable (Market Performance) can be explained by the independent variables (Customer relationship management) in the model. Thus 84% of the variation in organization performance can be explained by customer relationship management and other unexplored variables may explain the remaining 16%. (F = 592.22, p<0.01) which clearly indicates that the model was good for anticipating the association between customer relationship management and organization performance.

The result in the above table show that the F-statistic is 1242.9 and statistically significant at 0.01, indicating that simple regression, including CRM as an independent variable, effectively estimates changes in customer satisfaction if other factors remain unchanged. Hence, the coefficient determination (R^2) is equal to 0.722, meaning that CRM effectively predicts approximately 72% of changes in customer satisfaction. The result also reveals that the regression coefficient of the independent variable CRM is 0.864, which is statically significant, as the p- value is less than 0.001. This result shows that CRM has a significant positive effect on customer satisfaction there by supporting the acceptance of H2.

Table 9 Mediation Analysis

Type of effect	Path Coefficient	T test	Remark
Total effect of (CRM →MP)	0.852	31.65***	Significance Total Effect
Indirect effect CRM→ CS→ MP	0.310	2.84**	Significance Indirect Effect
Direct Effect CRM →MP	0.542	4.653***	Significance Direct Effect
VAF IE/TE	36.38%		

Source: Processed data, 2023

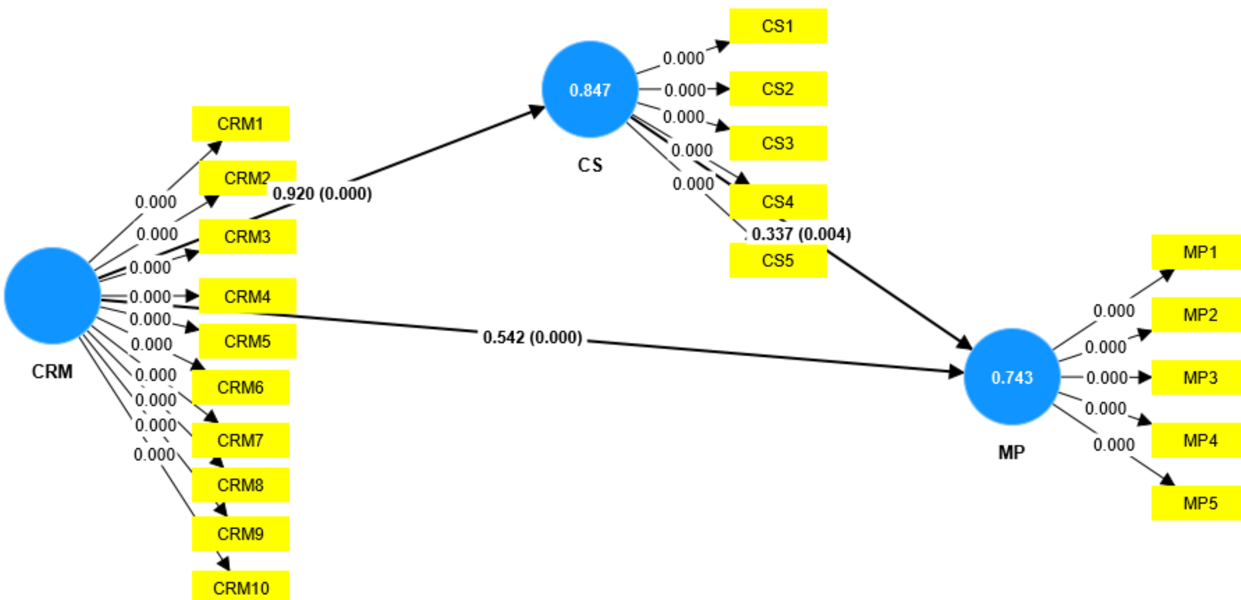

Figure 2 Mediation Analysis

4.2.5 Mediation Analysis

H4: Customer Satisfaction mediates the relationship between Customer Relationship Management (CRM) and Market performance (MP).

Mediation analysis was performed to assess the mediating role of customer experience in relationship between CRM and MP. The results (see table 9) revealed a significant indirect effect of CRM on MP (β=.310, t=2.84, p<0.01). The total effect of CRM and MP is significant (β =.852, t=31.65, p<0.001) with the inclusion of the mediator the effect of CRM on MP was still significant (β =.542, t=4.653, p<0.001). This shows that customer satisfaction partially mediate the relationship between CRM and MP. Hence H4 is supported.

CHAPTER FIVE

5. SUMMARY OF FINDINGS CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The study attempted to identify the relationship between customer satisfaction and market performance with the mediating role of customer satisfaction by taking into account Ethiopia's five start hotel. This chapter concludes by providing suggestions and recommendations for further research.

5.2 Summary of Findings

The finding of the research showed that Customer relationship management (CRM) plays a crucial role in the market performance of five-star hotels. The mediating role of customer satisfaction further enhances the impact of CRM on overall business success. CRM systems enable hotels to effectively manage and nurture relationships with their customers. By utilizing customer data and insights, hotels can personalize their services, anticipate customer needs, and provide tailored experiences. This level of personalized attention enhances customer satisfaction, leading to increased loyalty and positive word-of-mouth recommendations. The mediating role of customer satisfaction is vital in understanding the impact of CRM on market performance. Satisfied customers are more likely to become repeat guests, spend more on hotel services, and recommend the hotel to others. This positive feedback loop strengthens the hotel's market position, attracting new customers and increasing revenue. Furthermore, CRM systems allow hotels to gather valuable feedback from customers, enabling them to identify areas for improvement and address any issues promptly. By actively listening to customer feedback and taking appropriate actions, hotels can continuously enhance their services, leading to higher customer satisfaction levels and improved market performance.

In conclusion, the implementation of CRM in five-star hotels has a significant effect on market performance. The mediating role of customer satisfaction amplifies this impact by fostering customer loyalty, positive recommendations, and increased revenue. By prioritizing CRM strategies and continuously improving customer satisfaction, hotels can achieve sustainable growth and maintain a competitive edge in the market.

5.3 Conclusion

Customer relationship management (CRM) plays a crucial role in influencing marketing performance. By effectively managing customer relationships, businesses can enhance their marketing efforts and achieve better results. CRM allows companies to gather and analyze customer data, enabling them to understand their customers' needs, preferences, and behaviors. When businesses have a comprehensive CRM system in place, they can track customer interactions, manage customer feedback, and address any issues promptly. This level of customer engagement and satisfaction positively impacts marketing performance by increasing customer loyalty, retention, and advocacy. Satisfied customers are more likely to make repeat purchases, refer others to the business, and provide positive reviews and testimonials. CRM empowers businesses to understand and engage with their customers effectively; leading to improved marketing outcomes such as increased customer loyalty, higher conversion rates, and enhanced customer satisfaction.

The study findings also showed that there is a positive and significance relationship between customer satisfaction and market performance. When customers are satisfied with a company's products, services, and overall experience, it has a positive impact on the company's market performance. Satisfied customers are more likely to become loyal customers, making repeat purchases and generating positive word-of-mouth referrals. This, in turn, can lead to increased sales and revenue for the company. Customer satisfaction also contributes to customer retention, reducing customer churn and the associated costs of acquiring new customers.

Additionally, customer satisfaction can lead to valuable feedback and insights. Satisfied customers are more likely to provide feedback, enabling the company to identify areas for improvement and make necessary adjustments to its products or services.

In summary, customer satisfaction has a significant impact on market performance. It drives customer loyalty, retention, and advocacy, contributes to increased sales and revenue, enhances brand reputation, and provides valuable feedback for continuous improvement. Therefore, the hotels should prioritize customer satisfaction as a key driver of their overall market performance.

The findings also suggested that customer satisfaction plays a mediating role in the relationship between customer relationship management (CRM) and market performance. CRM focuses on building and maintaining strong relationships with customers, while market performance refers to the overall success of a business in terms of sales, revenue, and market share.

CRM activities, such as personalized communication, addressing customer needs, and providing excellent customer service, contribute to customer satisfaction. When customers feel valued and their expectations are met or exceeded, they are more likely to be satisfied with their overall experience with the business. Customer satisfaction, in turn, has a direct impact on market performance. Therefore, customer satisfaction acts as a mediating factor between CRM and market performance. By focusing on building strong customer relationships through effective CRM practices, businesses can enhance customer satisfaction, which ultimately drives positive market performance outcomes. It is important for businesses to continuously monitor and measure customer satisfaction levels to ensure that CRM efforts are effective in driving market performance. Regular feedback, surveys, and customer satisfaction metrics can provide valuable insights for businesses to identify areas for improvement and make informed decisions to optimize their CRM strategies and ultimately enhance market performance.

5.4 Recommendations

Based on the findings of the study the following recommendation is provided:

1. The researcher recommended that the hotel must implement a comprehensive CRM system. It is recommended that the hotel should invest in CRM system that allows for effective management of customer relationships. This system should enable the collection, analysis, and utilization of customer data to enhance marketing strategies and improve overall market performance.

2. Managers, especially top management, need to focus on customer satisfaction. The hotel should prioritize customer satisfaction as a key performance indicator. By consistently delivering

high-quality products, services, and experiences that meet or exceed customer expectations, organizations can foster positive customer relationships and enhance market performance.

3. It is recommended that the hotel should continuously monitor and analyze customer feedback. Regularly collect and analyze customer feedback through surveys, reviews, and other channels. This feedback can provide valuable insights into customer satisfaction levels and areas for improvement. By actively addressing customer concerns and suggestions, organizations can enhance customer satisfaction and drive better market performance.

4. The research recommended that the hotel must train and empower employees. Provide training and resources to employees to ensure they have the necessary skills and knowledge to effectively utilize the CRM system and deliver exceptional customer experiences. Empower employees to take ownership of customer relationships and provide personalized support, which can contribute to higher customer satisfaction and improved market performance. By implementing these recommendations, the hotels can leverage the power of CRM, customer satisfaction, and market performance to drive growth, increase customer loyalty, and gain a competitive advantage in the marketplace.

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APPENDIX **A**

Questionnaires

Dire Dawa University

College of Business and Economics

Department of Management

Dear Sir/Madam, First I would like to thank you for your time. My name is Yeabsra Wendmeneh and I am a graduate student at Dire Dawa University College of Business and Economics Department of Management. I am conducting this study for the completion of my Master‟s Degree in Business Administration. The purpose of the study is measure the effect of Customer relationship management on Market Performance: the mediating effect customer satisfaction. Your kind cooperation will help me to find reliable data and will be used only for this study. Please try to answer all stated questions and I would like to thank you for your time again.

Please mark your response with "√"

Section A: Demographic Profile of the respondents

1. Gender

   Male Female

2. Age
   20-30 years 41-50 years
   31-40 years Above 50 years
3. Education Qualification
   High school Master
   Diploma PhD
   Degree Other________________________
4. Occupation
   Student
   Self Employed
   Employed
5. For how long have you been customer of the hotel?

Less than 3 years
Between 7 to 10 years
Between 11 to 14 years
Above 15 year

Section B: Please indicate the degree to which each of the following statements best describes the effects Customer Relationship Management on market performance performance.

Where 1= strongly disagree, 2= disagree, 3=Moderate, 4= Agree and 5= strongly agree

No		1	2	3	4	5
	Customer Relationship Management					
1.	The organization is organized to respond to customers' needs.					
2.	The organization has processes in place to identify the needs of its customers.					
3.	The organization has developed strategies and objectives to strengthen its customer relationships.					
4.	Customer opinion is considered important.					
5.	They take feedback from the customer to Improve their service.					
6.	Customers have the right to make the complaint about the services.					
7.	Company is able to fulfill customer changing needs and requirements as per changes in the environment.					
8.	CRM process of this company plays an important role to create understand the customer need and resolve customer problem.					
9.	CRM process attract you to visit company frequently					
10.	CRM process improves commitment between customer and company.					

How does else customer relationship marketing strategies affect organization performance of hotels?

____

____

Section C: Please indicate your level of agreement to each of the following statements

Where 1= Strongly disagree, 2= disagree, 3=Moderate, 4= Agree and 5= Strongly agree

No		1	2	3	4	5
	Customer Satisfaction					
1.	In the organization customer are treated with a respect.					

2.	In the organization employees give follow up to customer requests well in time.					
3.	The organization uses customer satisfaction surveys for understanding customer needs and what satisfies and dissatisfies customers.					
4.	The hotel keeps its promise while doing something by a certain time.					
5.	The hotel gives convenient Services to customers.					

Section D: Please indicate the degree to which each of the following statements best describes Market Performance

Where 1= Strongly disagree, 2= disagree, 3=Moderate, 4= Agree and 5= Strongly agree

No		1	2	3	4	5
	Market Performance					
1.	Complaint resolution increase market performance of organization.					
2.	Customer satisfaction increase market performance.					
3.	Customer handling increase efficiency of the organization.					
4.	Customer relationship management increase market performance.					
5.	Customer orientation helps in increasing market performance.					